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DEPT PLS PASS DOE - A/S KAREN HARBERT

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TAGS: ENRG EPET CO
SUBJECT: GREEN OIL -- GOC EFFORTS TO PROMOTE BIOFUELS

¶1. Summary: The Colombian government promotes the use of biofuels as part of a general strategy to reduce domestic consumption of dwindling oil reserves, reduce air pollution, and develop economic opportunity in the sugar and yucca industries. Recent legislation requires that gasoline contain a mix of 10 percent ethanol in cities with populations over 500,000 and many areas of the country, including Bogota, are in the process of implementing the requirement. Sugar and yucca producers have factories on-line to produce ethanol from their products and more investment is planned to meet demand. The GOC also promotes the use of liquid gas for vehicular use and is considering how to support the marketability of biomaterials such as palm oil for use in diesel production in 2008. End Summary.

Ethanol Mix: Less Crude Consumed, Cleaner Air, More Jobs

¶2. The GOC is promoting the addition of ethanol to gasoline. The program began with the passage of Law 693 in September 2001 which required the Colombian government to develop biofuels to: 1) improve the environment, 2) develop the agricultural sector, especially agro-industry, 3) improve fuel quality by obtaining the appropriate mix of bio and fossil fuels, and most importantly according to Ministry of Mines and Energy (MME) officials, 4) maintain energy independence. Law 693 mandated use of the ethanol mix in cities with populations greater than 500,000 with a gradual phase-in of smaller cities afterwards. In November 2005, a MME regulation took effect that required that gasoline contain a mixture of 10 percent ethanol. The ethanol program began in the southwest region and the coffee growing zone and now includes the departments of Cundinamarca, Meta, Casanare, and Boyaca. Bogota joined in February 2006 and Medellin, Bucaramanga, Cartagena, Cucuta, and Pereira must comply by September this year.

¶3. The regulation requiring the ethanol mix expanded to include the center of the country (Bogota and surrounding cities) on February 1, 2006. According to MME, seven processing plants will produce about 450-500 thousand liters for daily distribution in the region for use in approximately 1.5 million vehicles and save about 370,000 gallons of regular gasoline per day out of a daily consumption of 3.7 million gallons.

Ethanol Program Has Economic and Environmental Impact

¶4. MME estimates net sales of USD 172 million a year and a savings of USD 150 million per year worth of crude oil. Five ethanol distilleries in the Department of the Valle de Cauca came on line at the end of 2005 and other plants in

Providencia, Manuelita, Mayaguez, and Risaralda opened shortly thereafter. Most of these will process sugar but a few will distill ethanol from the yucca root and panela (a sweetener made from sugar cane with a high molasses content) as well. The initial investment to open these plants totaled USD 120 million for a total production of 1.05 million liters a day that will cover demand in Bogota, Valle de Cauca, and the coffee region. MME estimates that a total of 12 ethanol refineries are required to produce the 2.5 million liters of daily production needed to meet national demand. Fedebiocombustibles, the Colombian National Federation for Biofuels, calculates that agro-industry needs a total investment of USD 680 million to create all the ethanol plants required and an additional 103,000 hectares of sugar cane cultivation. Asocana, the sugar association, anticipates ethanol production will help guarantee 250,000 jobs in the sector and create an additional 170,000, although the basis of this optimistic calculation may be more in hope than realism.

¶5. Ethanol availability in gasoline has led to cheaper gasoline prices. According to MME, there was an average price reduction in a gallon of gas of about 24 pesos (about one penny) where the ethanol mix was introduced in 2005. In Bogota, MME expects prices to fall an average of 62 pesos (about 3 cents).

¶6. MME also predicts positive environmental effects from the ethanol program. Colombia,s vehicles produced at least 10 million tons of carbon monoxide and related gases in 2005. The ethanol program will produce a reduction of 30 percent in carbon monoxide vehicular emissions and a 6-10 percent reduction in carbon dioxide emissions.

100,000 Vehicles Run on Natural Gas

¶7. The Colombian government also promotes conversion of vehicles from gasoline and diesel to natural gas. According to GOC statistics, there are approximately 100,000 vehicles that run on natural gas countrywide and the total will increase to more than 140,000 by year-end. Colombian state oil company Ecopetrol reported that the pace of conversions has increased from 6,000 vehicles making the change in 2000 to a record of 42,703 in 2005. Most conversions occur in Bogota and Medellin. Natural gas fuel is available at 150 stations nationwide (39 of these are in Bogota). Many of the conversions are for taxicabs.

Biodiesel--Still Under Consideration

¶8. The GOC is considering how to promote a mix of vegetable oil or animal fat for addition to diesel motor fuel as required by Law 939 of 2004. Palm oil is the most likely fuel. Fedepalma, the Colombian Palm Oil Association, estimated that in 2004, there were about 485,000 hectares of the plant in various stages of cultivation. Colombia is the fifth largest producer of palm oil in the world. Also in 2004, the industry produced about 630,000 tons of crude palm oil. Resolution 1289 (issued in December 2005) determined that a mix of 5 percent of biomaterials in diesel is the economically optimal level for commercialization. Colombia does not have production capability to convert palm oil for use in diesel motor fuel yet but the GOC goal is to begin production by the beginning of 2008.

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